



# First Quarter Report 2012

## Press and analyst conference

Christian Clausen, President and Group CEO

*Making it possible*

# Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

This presentation does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

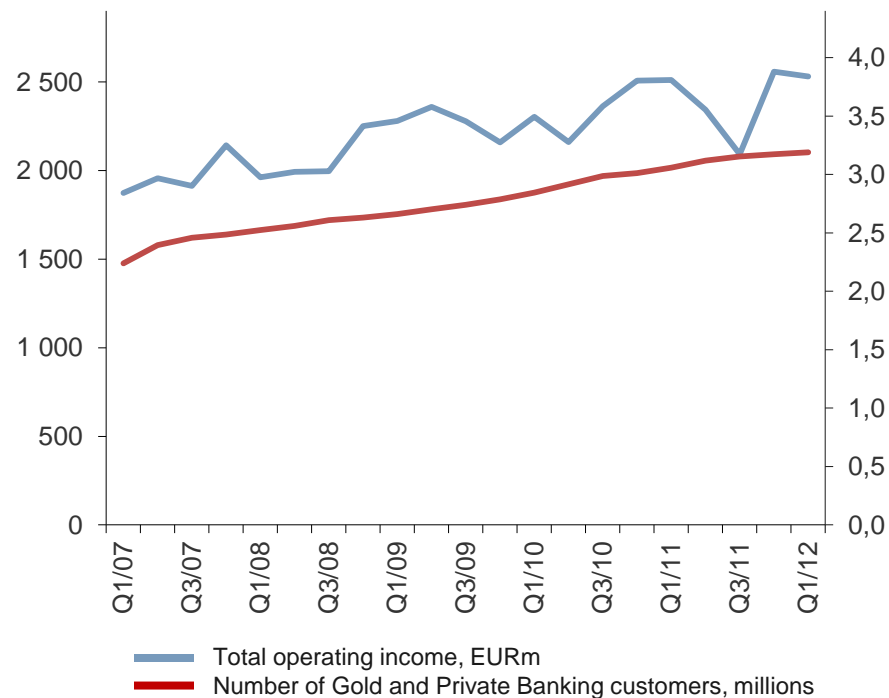
# Key messages

- **Strong business momentum continues**
  - **High earnings power...**
    - Highest ever Q1 income and profit
    - Revenue growth of 1%
    - Close to 22,000 new relationship customers
    - Stable costs
    - RoE of 11.7%
    - Strengthened Core Tier 1 ratio to 11.6%
  - **... and further progress in change agenda**
    - Building the future bank business model
      - Approx. 100 projects in place
    - Target is to reduce costs from new regulations by being more efficient on costs, capital and liquidity

- **Financial highlights**
- Building the future bank business model

# Improved relationships the key revenue driver

## Total operating income and relationship customers



- Total income up 35% since 2007
- Relationship customers up 42% since 2007...
- ...and reinforced position as market leader in corporate merchant banking

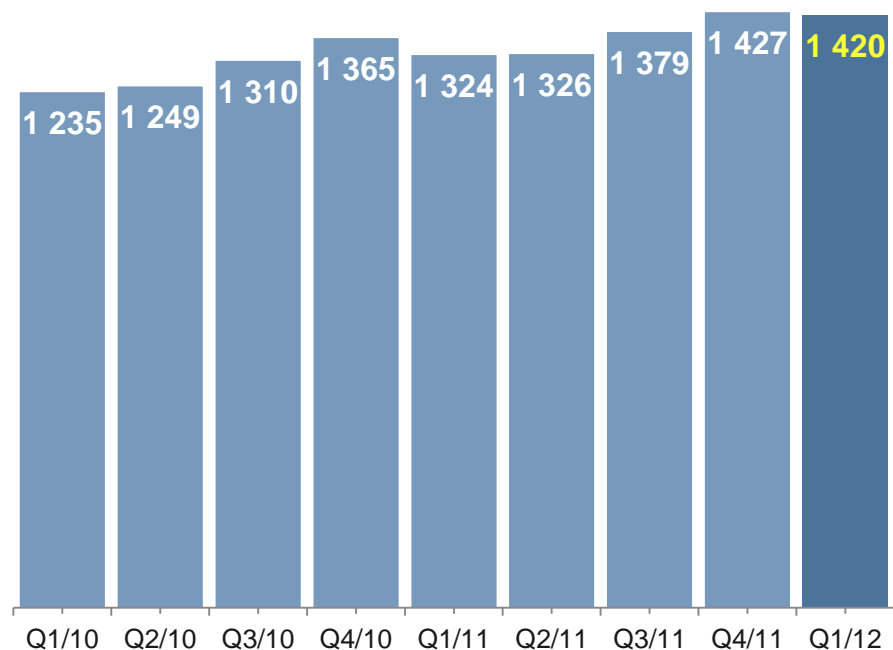
# Financial result – Q1/12

EURm	Q1/12	Q4/11	Change %
Net interest income	1,420	1,427	-1
Net fee and commission income	596	588	1
Net fair value result	469	506	-7
Other income	46	37	24
<b>Total income</b>	<b>2,531</b>	<b>2,558</b>	<b>-1</b>
Staff costs	-771	-714	8
<b>Total expenses</b>	<b>-1,276</b>	<b>-1,266</b>	<b>1</b>
Profit before loan losses	1,255	1,292	-3
<b>Net loan losses</b>	<b>-218</b>	<b>-263</b>	<b>-17</b>
<b>Operating profit</b>	<b>1,037</b>	<b>1,029</b>	<b>1</b>
<b>Net profit</b>	<b>775</b>	<b>786</b>	<b>-1</b>
Risk-adjusted profit	799	815	-2

Q1/11	Change %
1,324	7
602	-1
544	-14
40	15
<b>2,510</b>	<b>1</b>
-768	0
<b>-1,265</b>	<b>1</b>
1,245	1
<b>-242</b>	<b>-10</b>
<b>1,003</b>	<b>3</b>
<b>742</b>	<b>4</b>
771	4

# Stable Net Interest Income

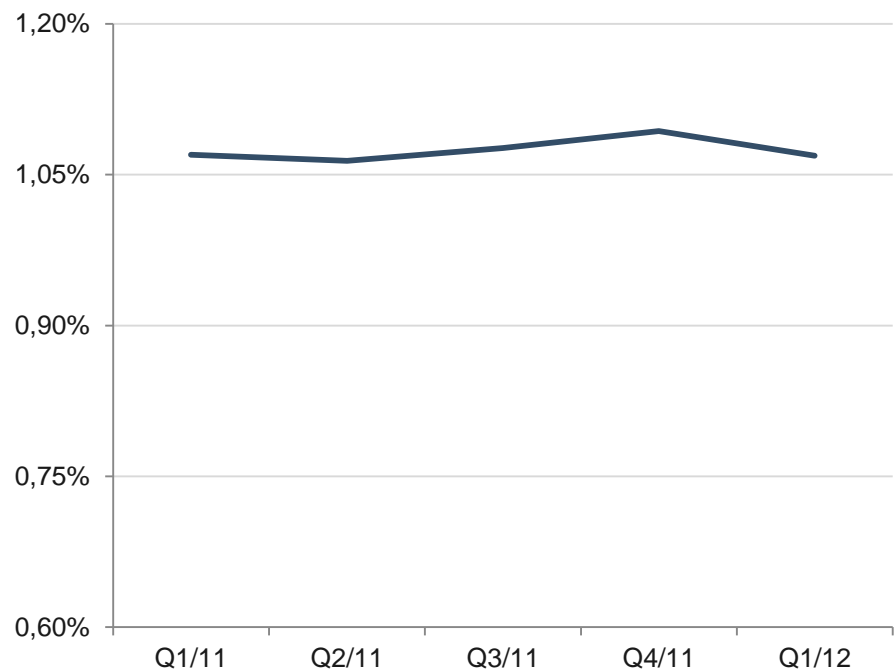
Total Net Interest Income, EURm



- Net Interest Margin largely unchanged
- Low demand for lending
- Slightly higher funding costs
- One interest day less

# Net Interest Margin largely unchanged at 107bps

Net interest margins (excl. liquidity buffer and repo rates)

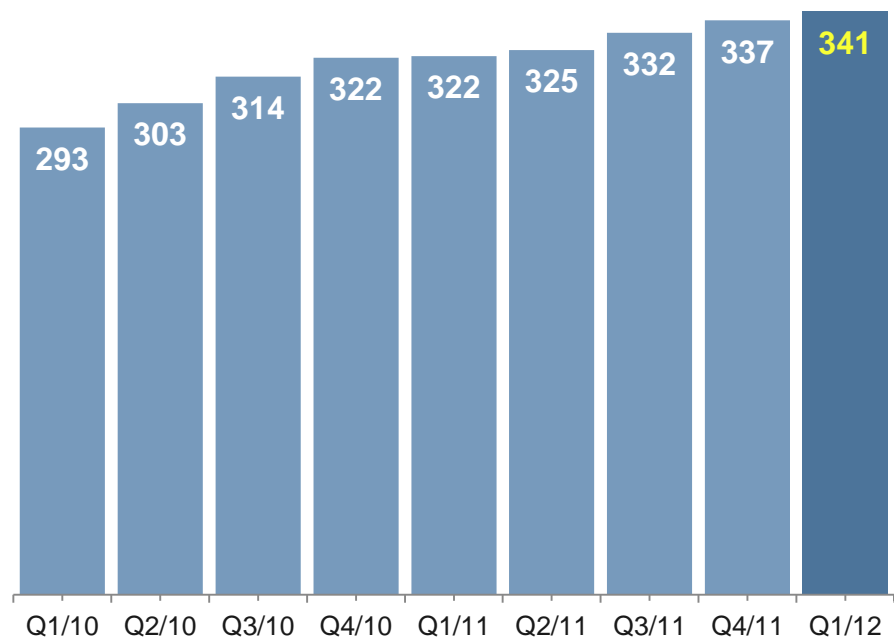


- Higher lending margins
- Lower deposit margins
  - Lower interest rates
  - Fierce competition on deposits



# Stable lending volumes

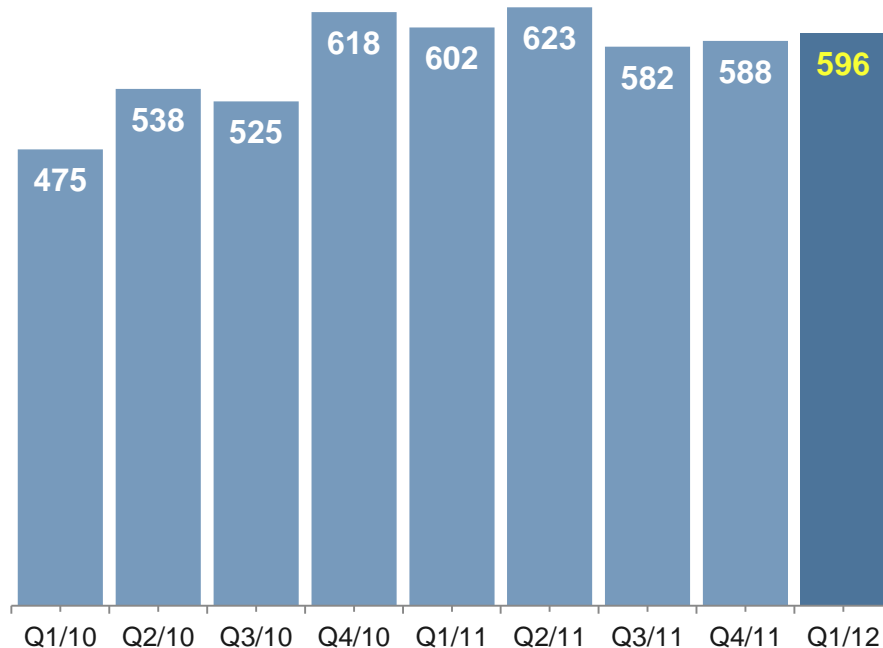
Total lending, EURbn



- Average lending volumes are up approx. 0.5% in fixed currencies
- Low demand from both households and corporates
- Lending volumes are up 5% YTD

# Net commission income maintained at a high level

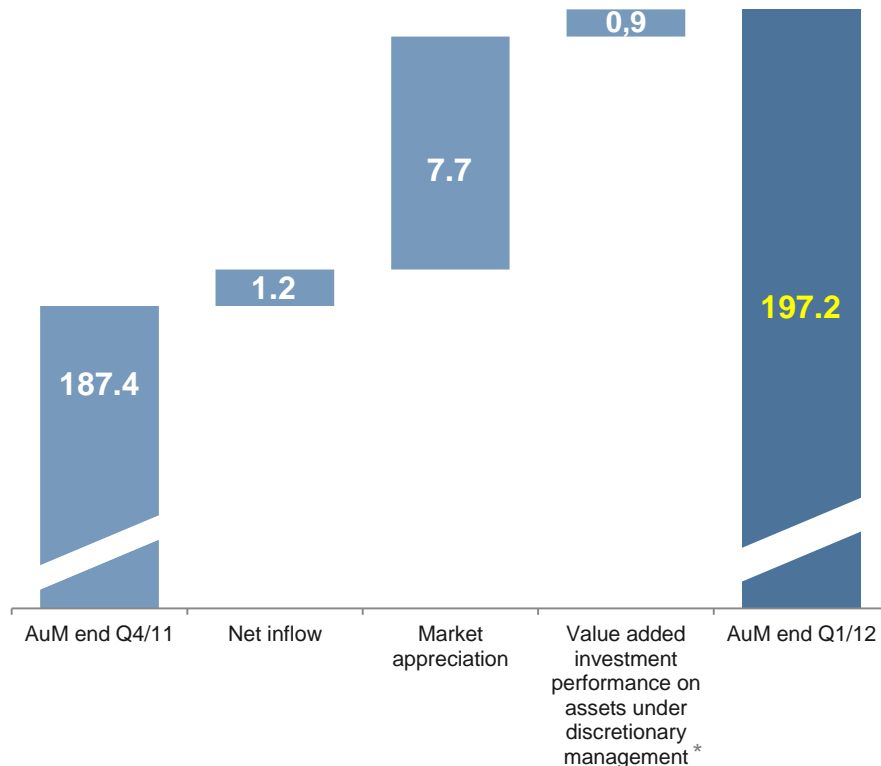
Net fee and commission income, EURm



- Net fee and commission income largely unchanged
- Strong trend in savings commissions, following good performance
- Lower lending and card commissions
- New deposit guarantee fund system in Denmark

# Good performance, key driver of Assets under Management

## Wealth Management AuM, EURbn

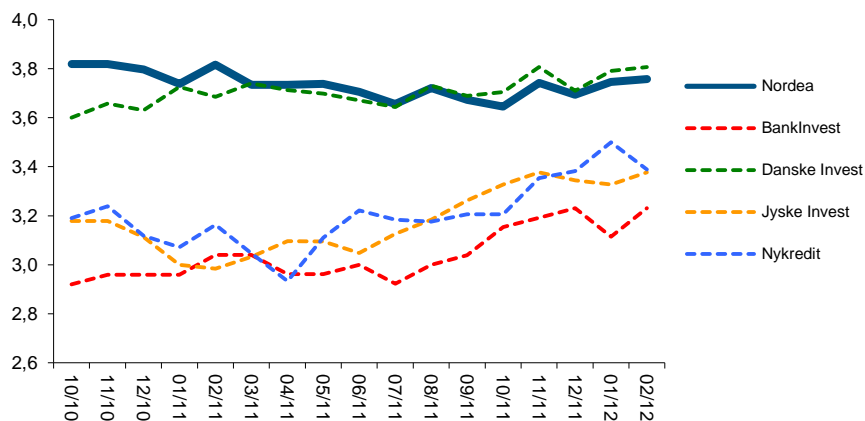


\* EUR 101.9bn end of Q1/12

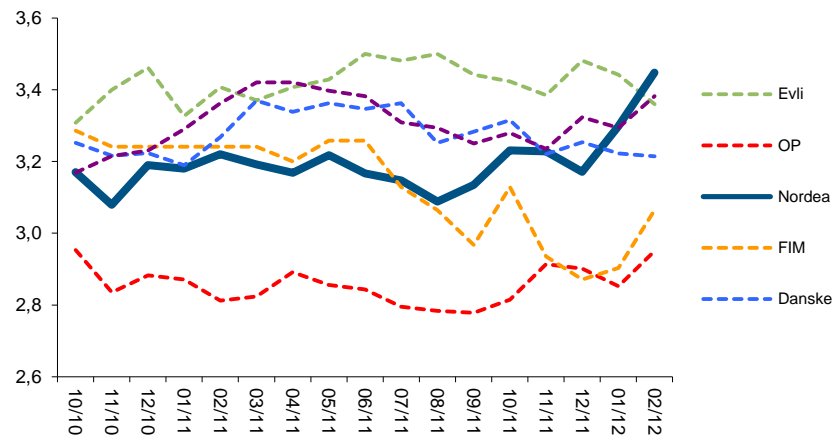
- Assets under Management at all-time-high of EUR 197bn
- Decent inflow of EUR 1.2bn
  - Strong inflow in Retail funds
- Strong investment performance gives added value to our customers

# Morningstar ratings picking up

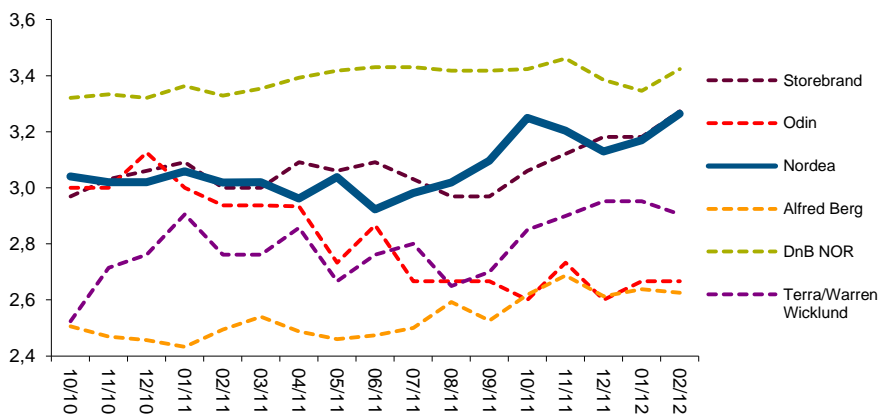
## Denmark #2



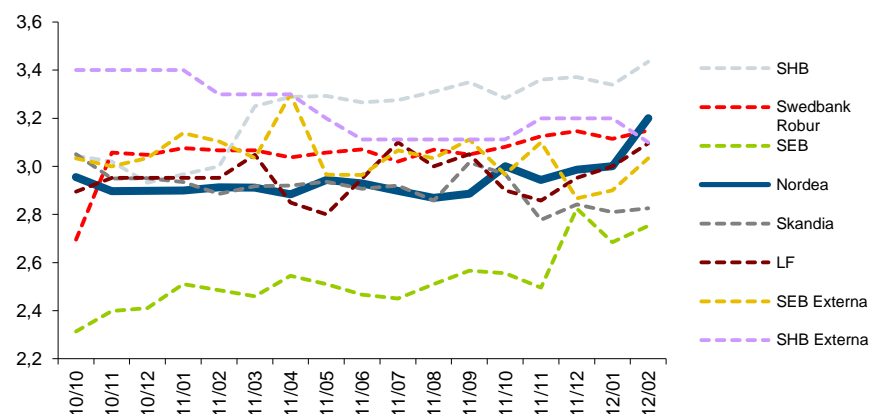
## Finland #1



## Norway shared #2

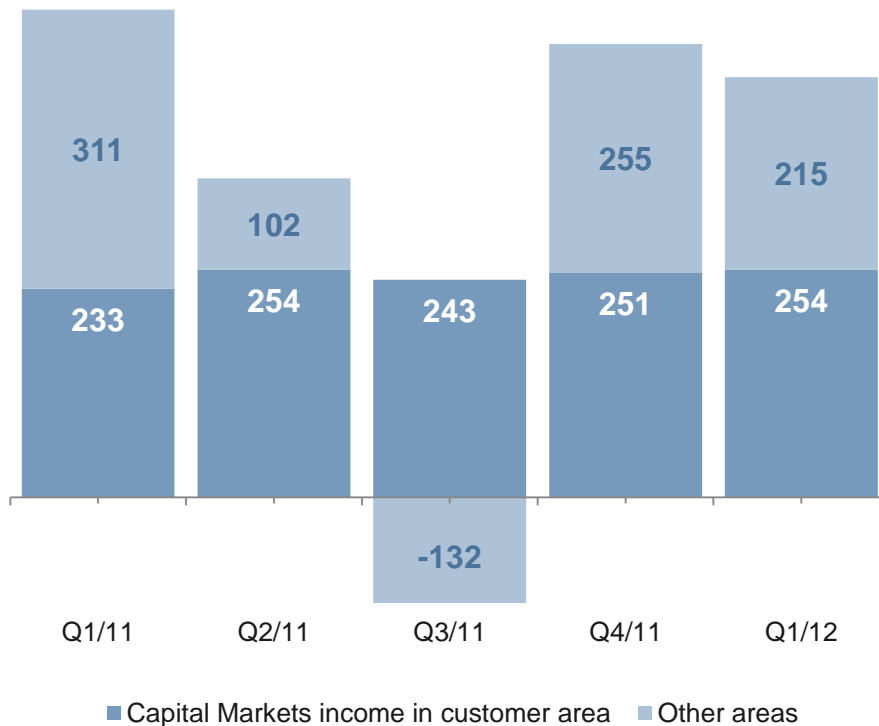


## Sweden #2



# Net fair value at continued good levels

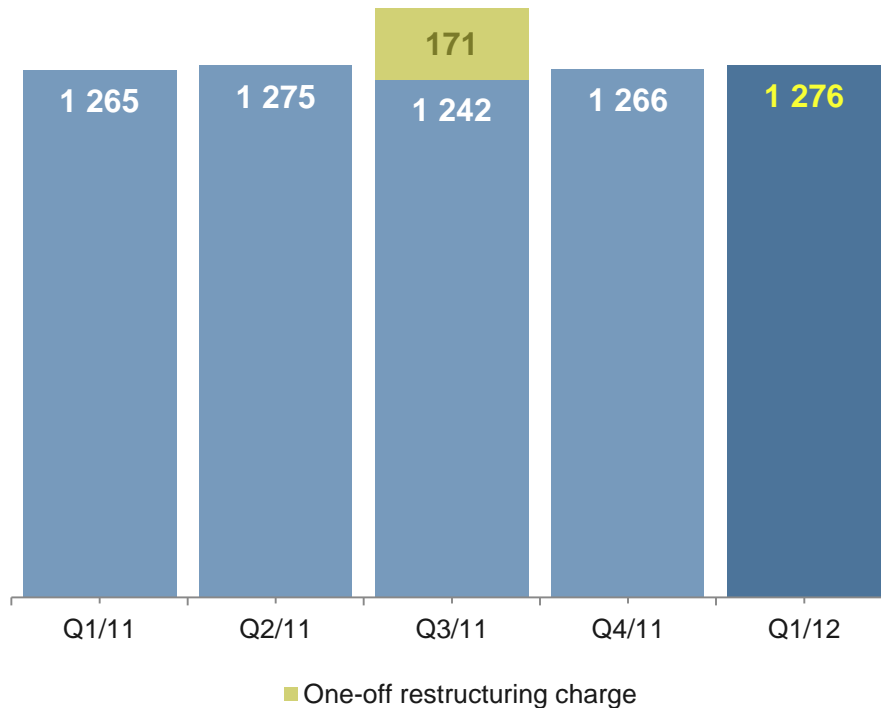
Net result from items at fair value, EURm



- Continued good customer demand
- Good trading environment
- Reported revenues lower in Life, but underlying are stable

# Expenses under strict control

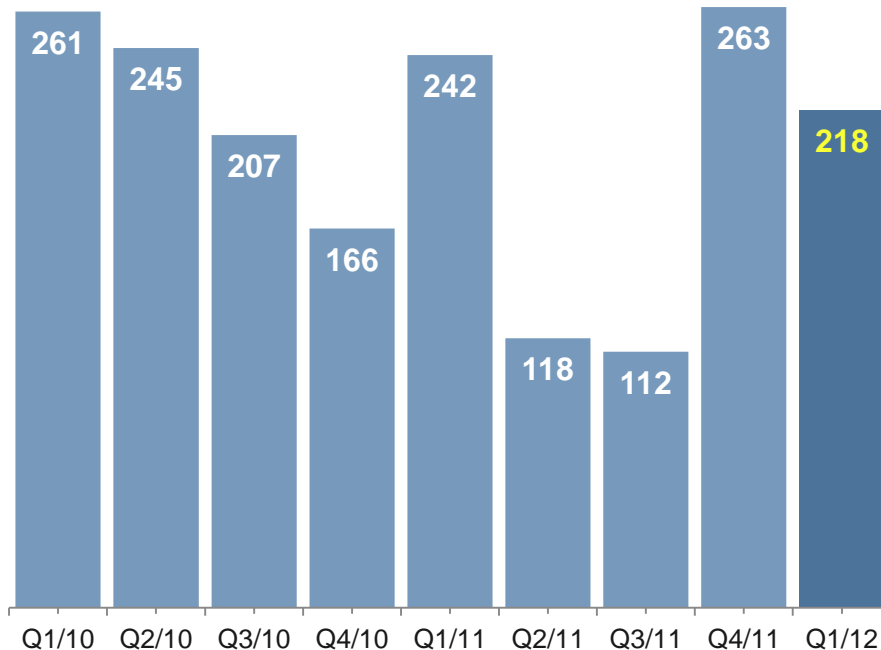
Total expenses, EURm



- Flat cost development
- FX effect on costs is approx. 1%

# Stable credit quality

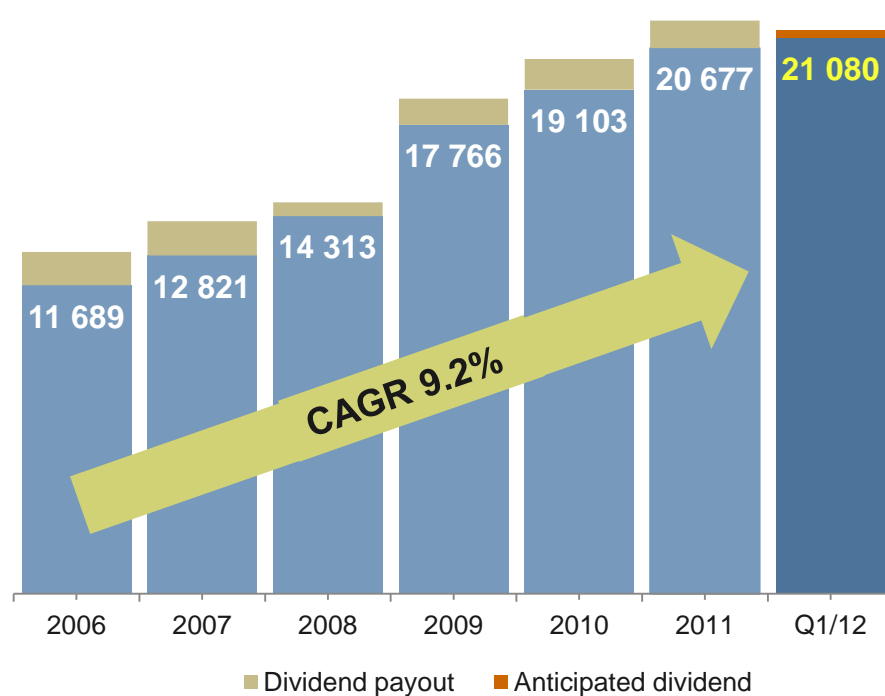
Total net loan losses, EURm



- Loan losses at 26bps – close to the expected level over a business cycle
  - Includes a provision of EUR 8m for the Danish guarantee system
- Denmark and Shipping are areas of concern but only few new problem loans and well under control
- Overall credit quality solid

# Strong capital generation

Core Tier 1 capital, EURm

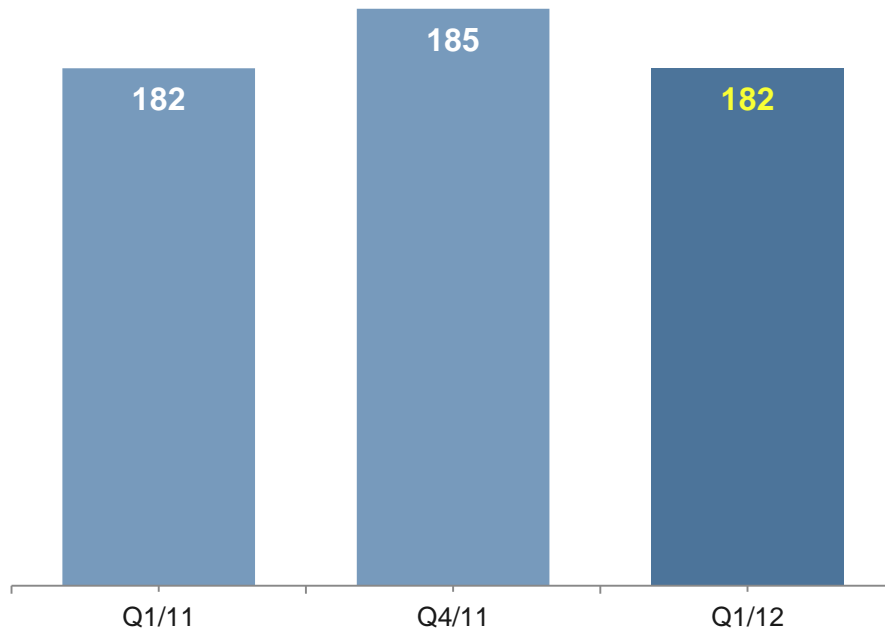


- Generated capital of EUR 1.7bn in one year, or approx. 9%
  - In addition distributed EUR 1bn to shareholders
- Strong capital generation gives good flexibility



# Reduced RWA by 2%

**Risk-weighted assets (RWA), EURbn**  
Basel II excluding transition rules

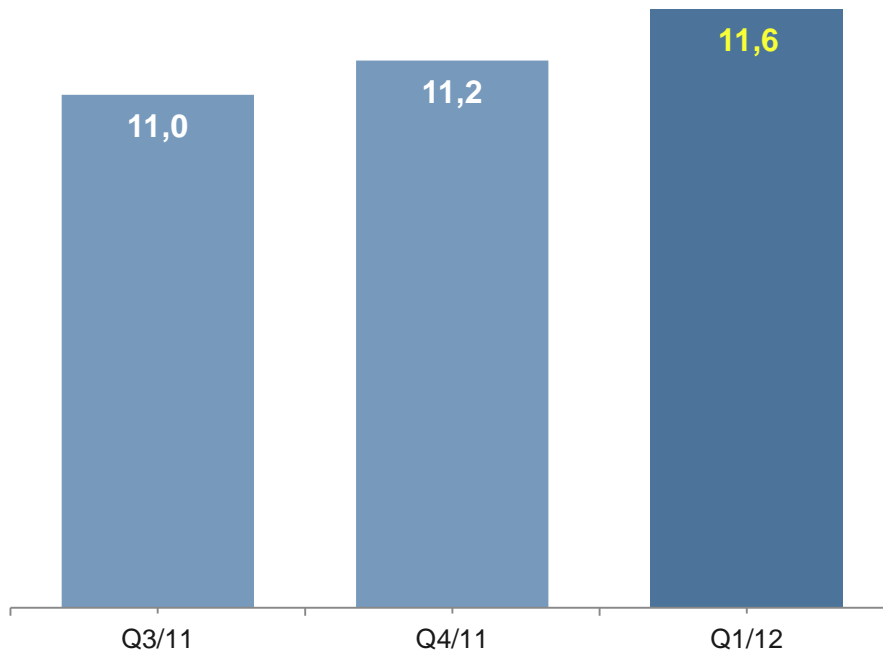


- IRB approval in International branches reduces RWA by EUR 3.1bn
- Stable credit quality
- Lower derivative exposures

# We have strengthened our balance sheet

## Core Tier 1 capital ratio, % (excl. Hybrids)

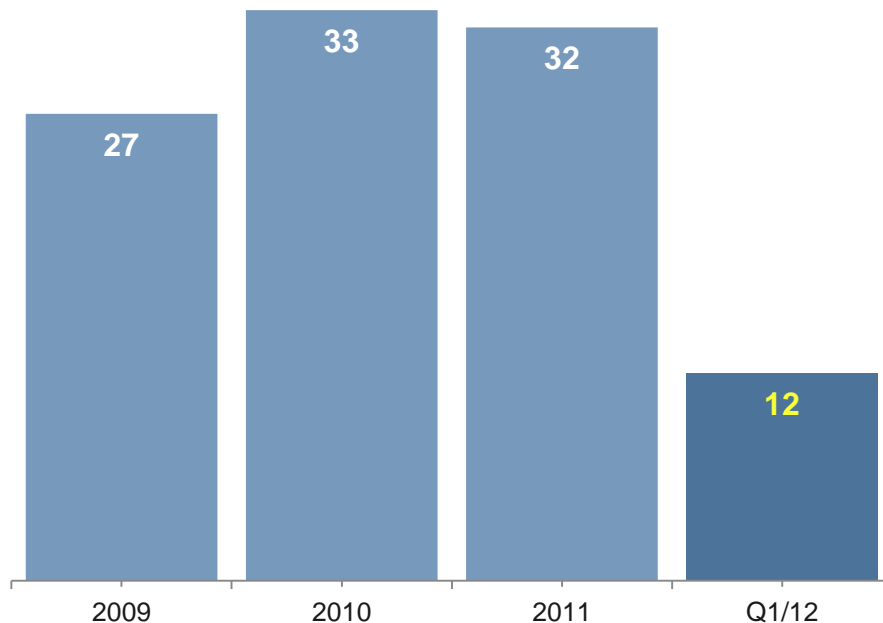
Basel II excluding transition rules



- Improved ratio by 40bps since Q4/11 due to;
  - Strong profit generation
  - Controlled RWA development

# Strong access to funding

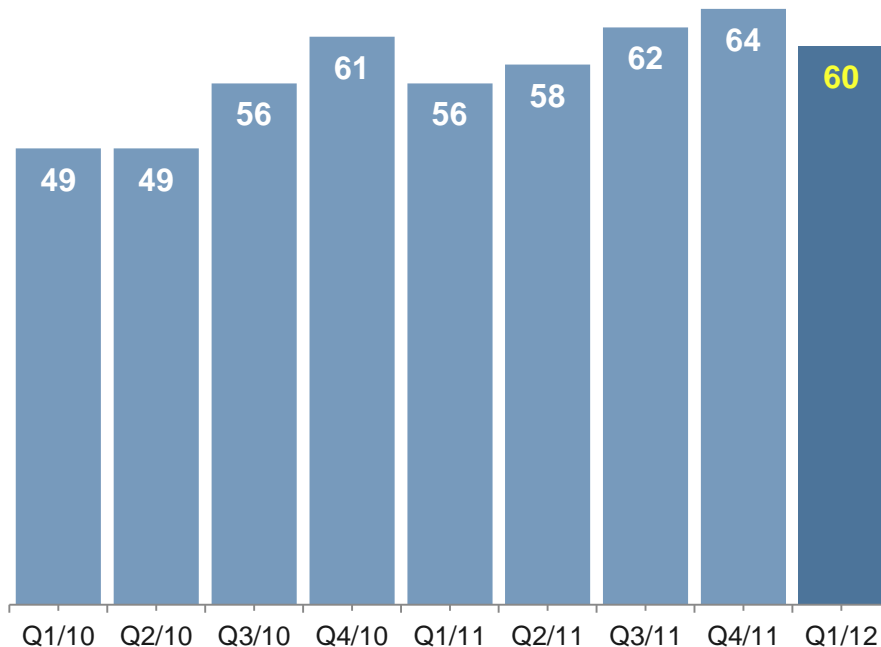
Long-term funding, EURbn



- Market based funding strategy
  - No participation in LTRO
  - One of the lowest funding costs among European banks
- EUR 11.5bn have been issued of long-term funding in Q1/12
  - Redemptions of EUR1.9bn in Q1/12
- Strong access to all funding instruments
- Maintained AA rating

# High quality liquidity buffer

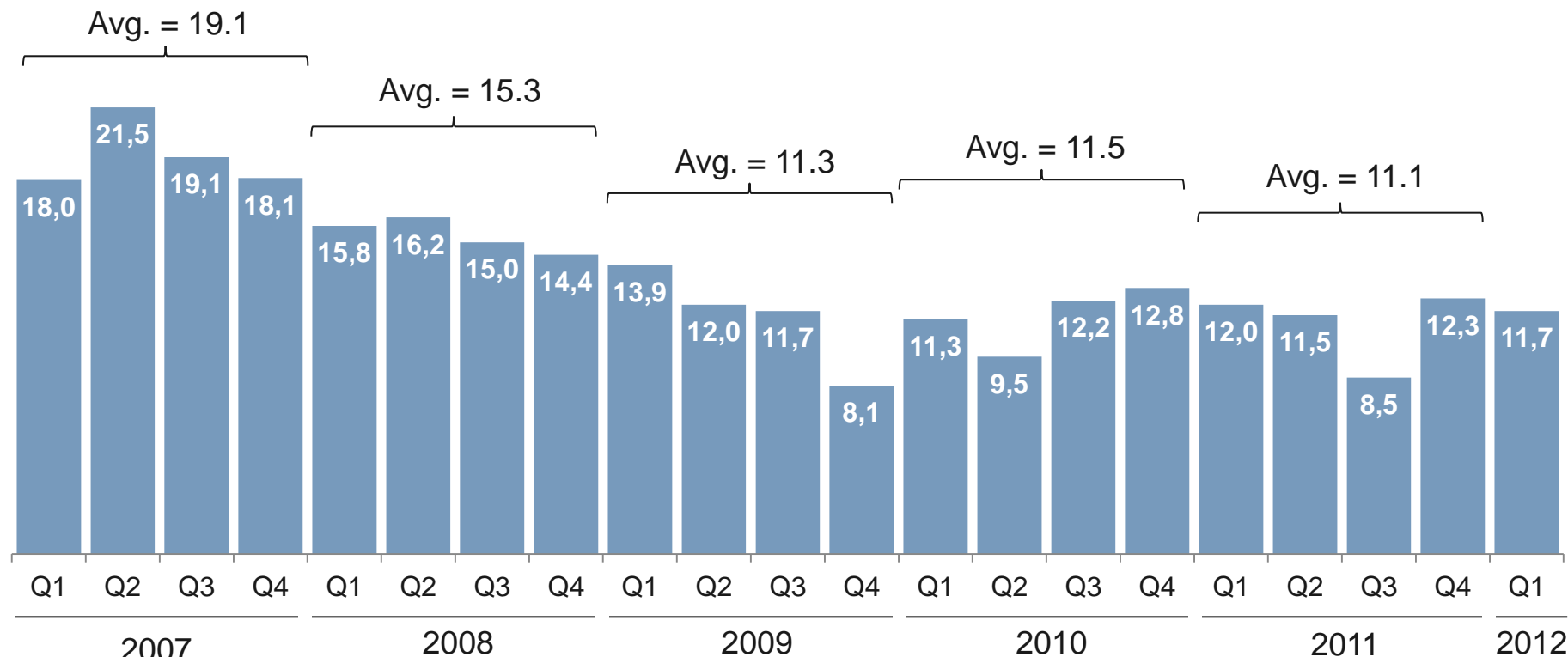
Liquidity buffer, EURbn



- Liquidity premia project implemented
- Changed composition of liquidity buffer
- Liquidity buffer is LCR compliant in size but maybe not in composition

# Return on Equity is vital in ensuring stability and room for manoeuvre

RoE, adjusted for restructuring costs 2011, percent



CT1 = 6.8%



CT1 = 11.6%

- Financial highlights
- **Building the future bank business model**

# New Normal – the way to build the future bank business model

- Ensure continued great customer experiences
  - Product innovation and enhancements
  - Further focus on advisory bank concept
  - Mitigate impact on customers from regulations
- Ensure sufficient RoE to secure access to capital and attractive funding
- Customer and product and advice related activities
  - Cost efficiency
  - Capital efficiency
- Approx. 100 projects ongoing

## Further refined relationship strategy in Q1/12

- Delivering great customer experiences
  - Future distribution strategy with more advisory branches and more mobile and internet solutions
- Close to 22,000 new Gold and Private Banking customers
- Carried out 455,000 household meetings
- Issued 76,000 new mortgages
- New mobile bank features
  - Increased number of mobile bank customers by more than 100% since Q1/11



# The clear number one in DCM and M&A

## #1 Advisor, M&A Nordic region Q1/12

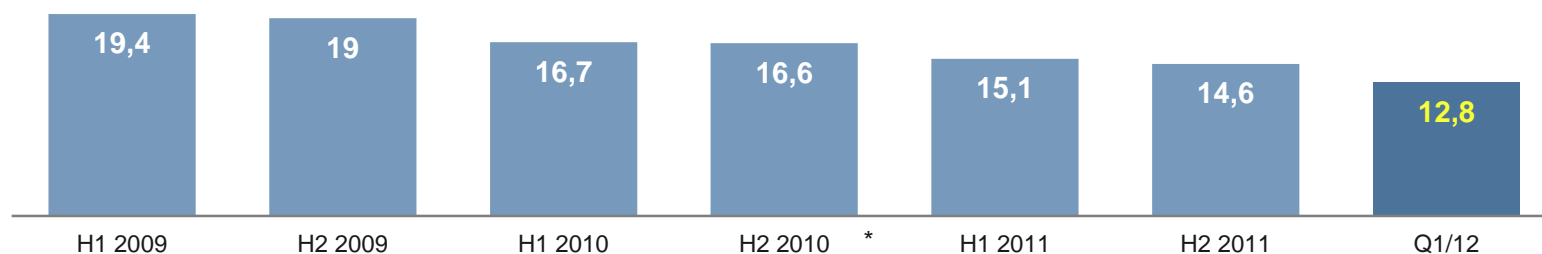
	Deal value	Transactions
<b>Nordea Corporate Finance</b>	<b>2 111</b>	<b>6</b>
Barclays	1 800	1
Deutsche Bank AG	1 800	1
Goldman Sachs	1 800	1
Handelsbanken Capital Markets	1 600	3
JPMorgan Cazenove	1 600	1
SEB Enskilda	759	3
Morgan Stanley	557	1
Swedbank First Securities	510	2
FIH Partners A/S	510	1

## #1 Bookrunner Syndicated Loans Nordic, Q1/12

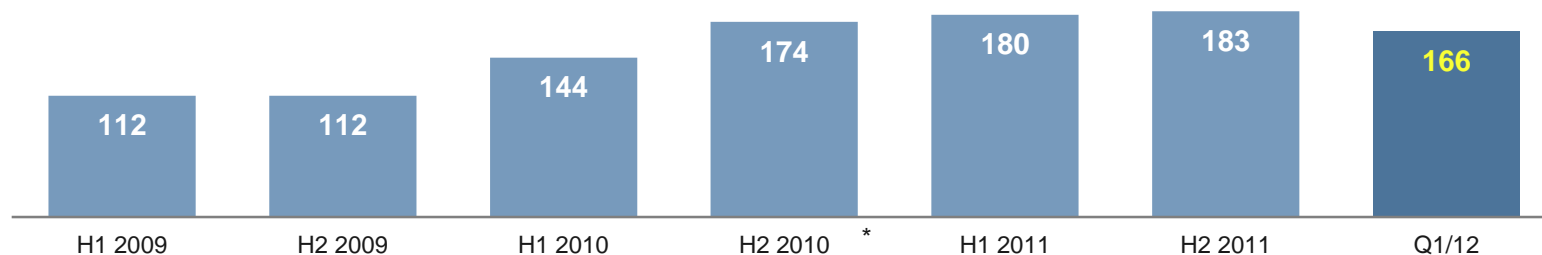
	Deal value	Transactions
<b>Nordea Markets</b>	<b>673</b>	<b>6</b>
SEB	563	5
Swedbank First Securities	342	3
HSBC	297	3
RBS	297	3
Citi	297	3
Danske Bank	268	3
Deutsche Bank	197	2
Barclays	197	2
Mitsubishi UFJ Financial Group	196	2

# Customer behaviour supports our distribution journey

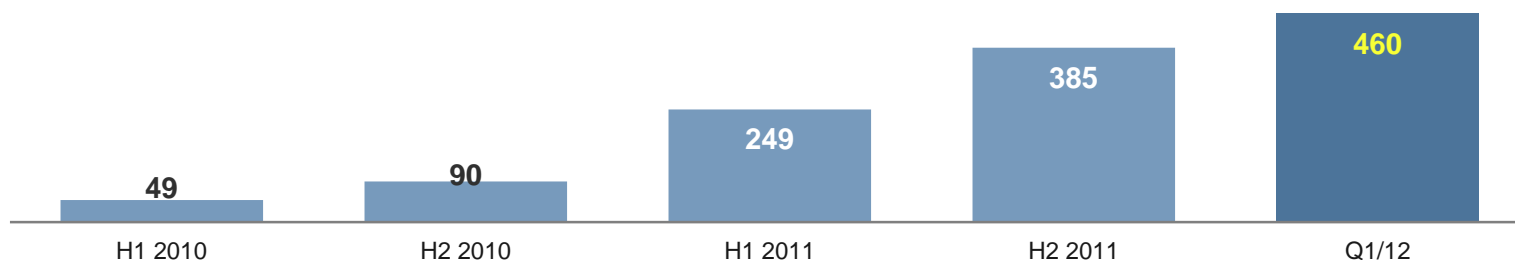
Number of manual transactions, million



Number of netbank log-ins, million



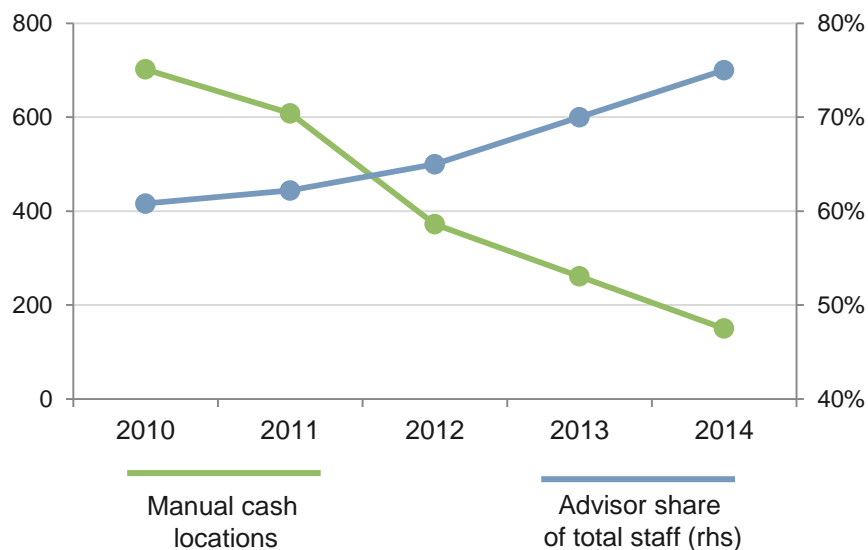
Number of unique mobile banking users, thousands



\* Semi-annualised

# Transforming the branch network

## Nordic development, manual cash location and share of advisors in branch network staff

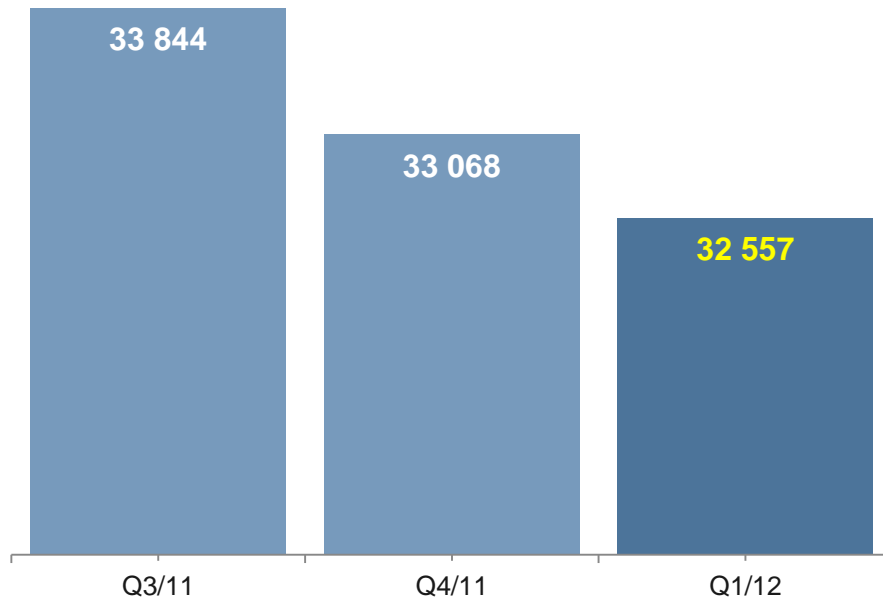


	Nordic branch network, end 2009		Nordic branch network 2012	
Focused on relationship customers	78 branches focused on Corporate	7%	558 Corporate and Advisory branches	49%
Focused on daily service and cash			200 Service branches	17%
All Customers All Services	995 Full-service branches	93%	388 Community branches	34%

Share of all branches

# Cost efficiency according to plan

## Total Group full-time equivalents



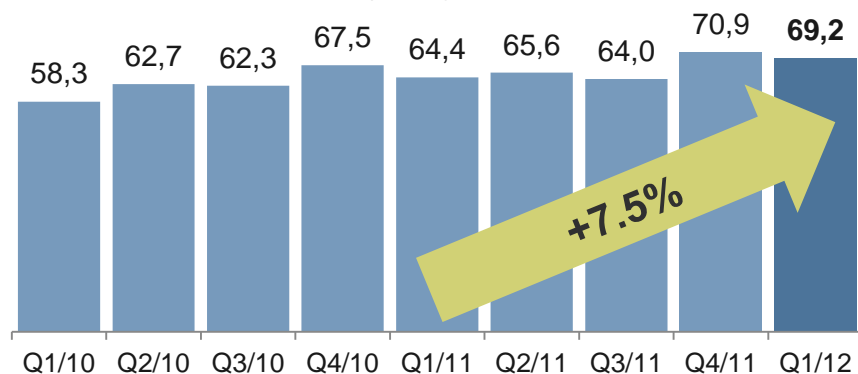
- Flat costs for a prolonged period of time
- FTE's are down by approx. 1,600 (4.6%) since mid-2011
- EUR 120m in cost savings
- 6% staff reduction by end 2012
- Shift in Poland to full relationship banking approach
  - FTE's reduced by up to 400

# Execution of cost efficiency

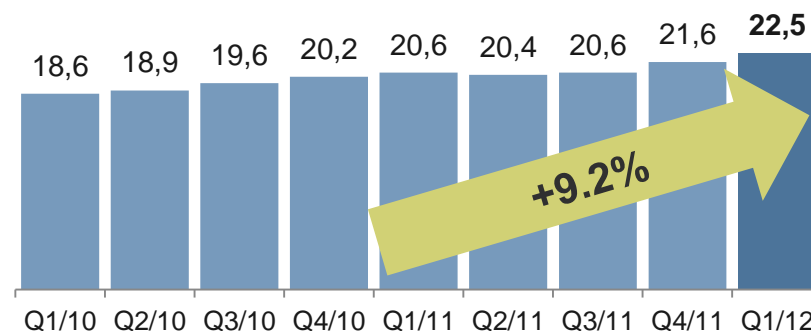
- Streamlining of distribution network – lowering cost to serve
- Optimising value chain processes
- Reducing FTE's and cost in the product processes
- Optimise supply unit costs – e.g. Premises
- Business process improvements – Nordea Operations Centre
- Strengthening IT resilience

# Focus on improved efficiency

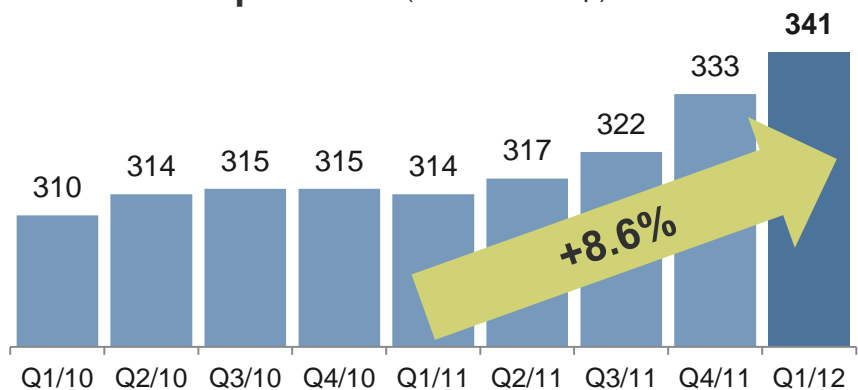
**Total income / FTE** (EURt)



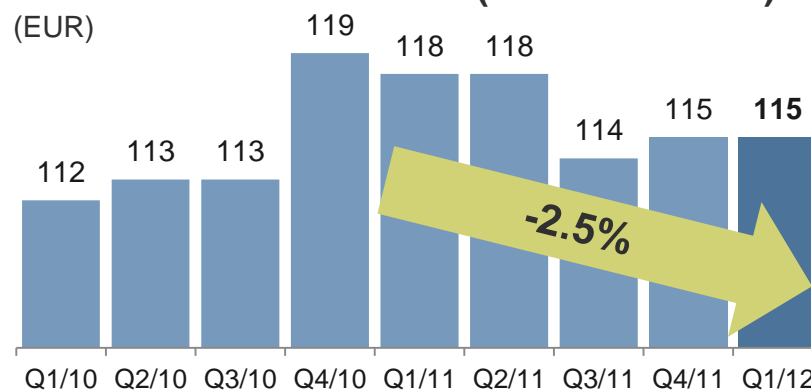
**Business volumes / FTE** (EURm)



**# customers per FTE** (Nordea Group)

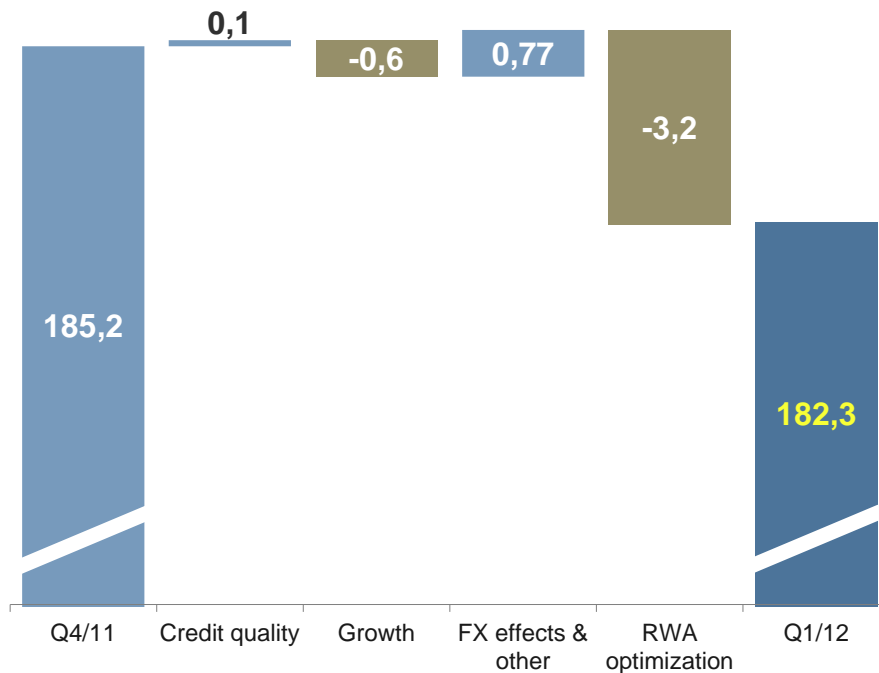


**Cost to serve a customer (cost / customer)** (EUR)



# Capital efficiency strengthens our Core Tier 1

RWA development, EURbn



- International branches move from standardised to foundation IRB
- Positive rating migrations in household and corporates
  - Negative migration in institutional counterparties
- Derivative book lowers RWA

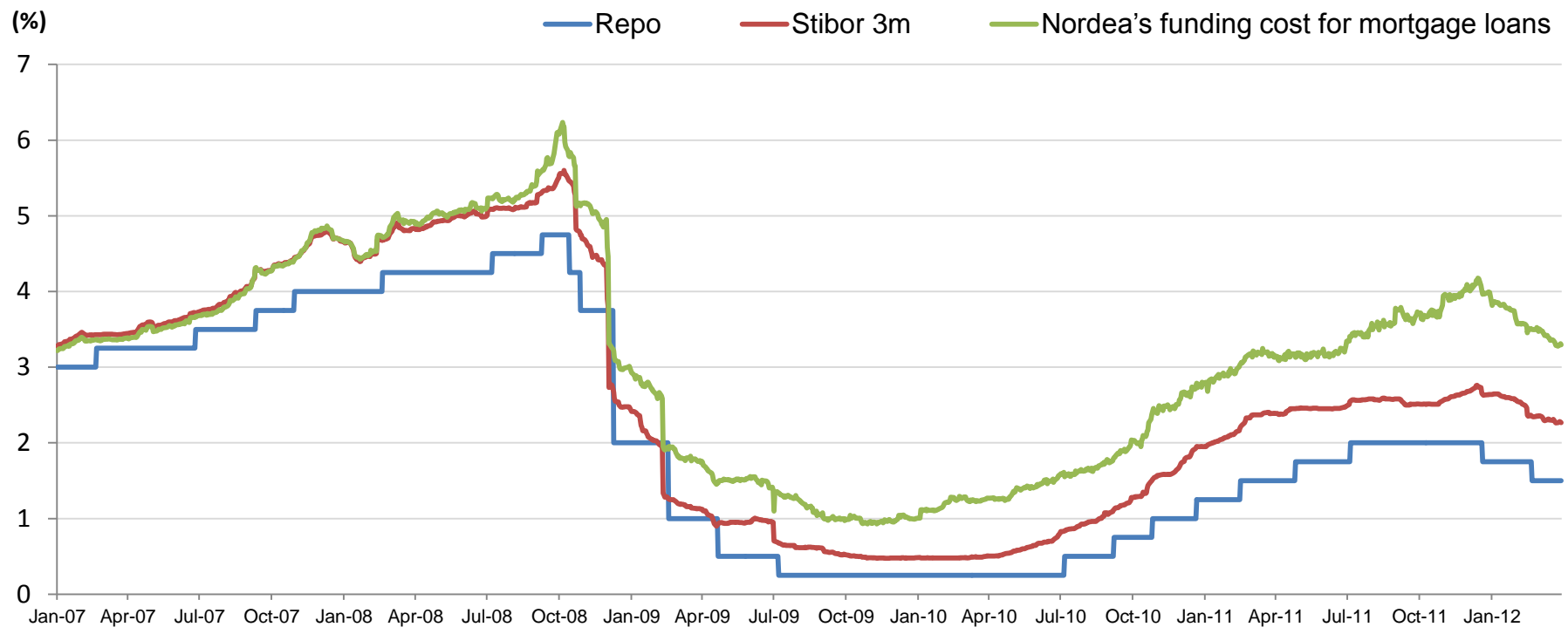
# Execution of capital efficiency

- Roll-outs in progress
  - Advanced IRB in corporate portfolio
  - Foundation IRB for Baltics
  - IMM approval for counterparty credit risk
- Initiatives
  - Improved collateral model for Nordea Bank Luxembourg
  - Increased use of central counterparty clearing
  - Focus on capital light products
  - Strengthening intermediation capabilities to reduce balance sheet lending



# Increased funding costs...

## Interest rates

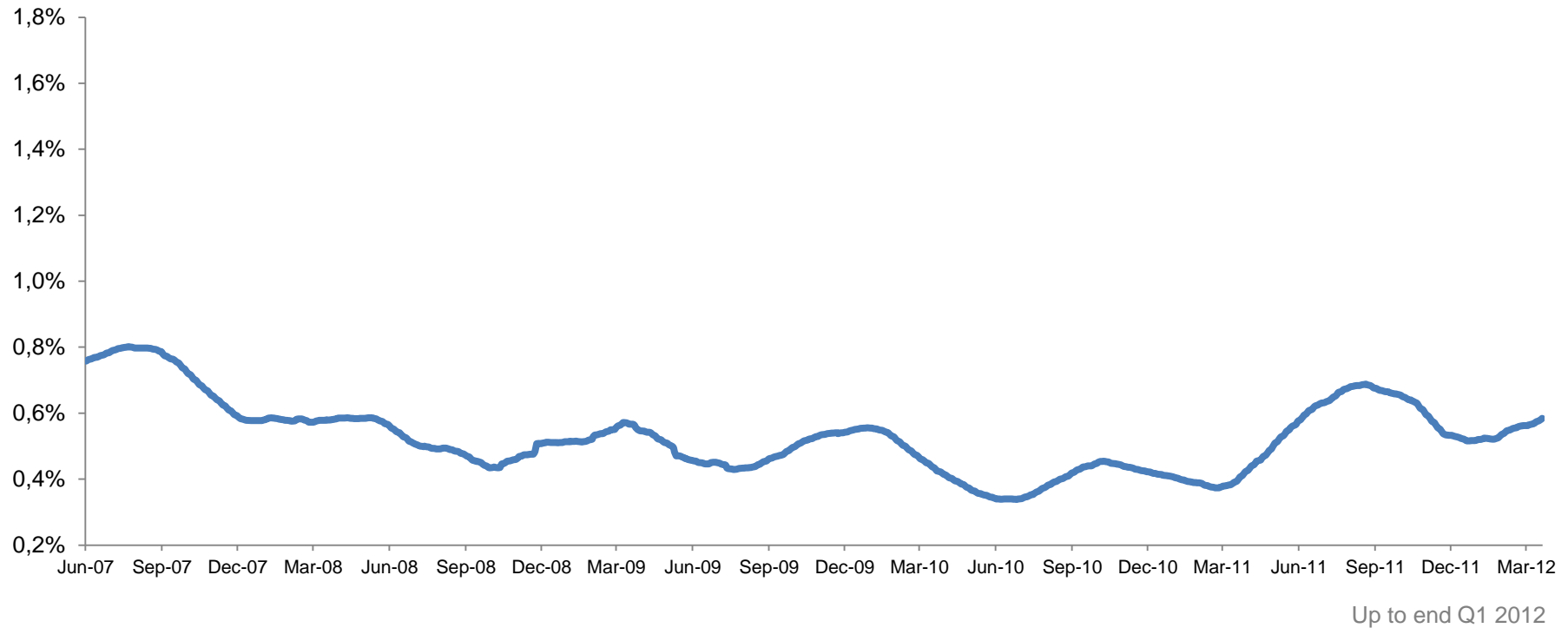


Up to end Q1 2012

## ...lead to largely unchanged mortgage margins

### Mortgage spread (%)

3 month price less funding costs



# Key messages

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